

Office Q2 2021

9.11%
Vacancy Rate

YoY
Chg



12-Mo.
Forecast



32.7K
Take-Up sqm



1,900 DKK
Asking Rent, PSM



Source: Ejendomstorvet & C&W I RED

ECONOMIC INDICATORS Q2 2021

902K
Copenhagen
Employment

YoY
Chg



12-Mo.
Forecast



5.30%
Copenhagen City
Unemployment Rate



4.90%
Denmark
Unemployment Rate



Source: DST

OVERVIEW

With a total transaction volume of DKK 24.5 bn in Q2 2021, Danish CRE saw an increase of 42% compared to the first quarter of 2021. For the first time ever, the transaction volume in the industrial segment surpassed the volume in the office segment as the industrial segment reached a share of 15% of the total volume in Q2 2021 whereas the office segment only reached a share of 14%.

OCCUPIER FOCUS

As expected, the vacancy rate in Copenhagen increased with 0.5% point from Q1 to Q2 2021. The increase is primarily caused by the fact that many older domicile properties have become vacant as many larger tenants has moved to newly erected offices in central Copenhagen. In the coming months, we expect this trend to continue. As a result, the vacancy rate in Copenhagen is expected to increase further. Driven by covid-19 and uncertainties regarding the future and new ways of working, we continue to see an increasing focus on flexibility from the tenants in the form of relatively short non-termination periods, break options before the end of the non-termination period, right to sub-let, and right to assign.

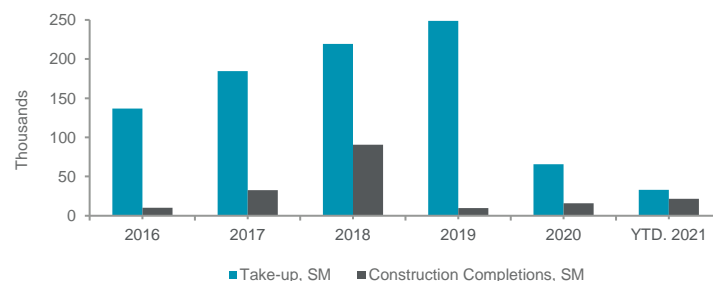
INVESTMENT FOCUS

The figures for Q2 2021 show that the transaction volume in the office segment reached DKK 3.4 bn, corresponding to a 30% decrease compared to Q1 2021. Despite this decrease, the investors' demand for prime office properties continues to be high, which is why we continue to witness record low yield levels. Hence, the decrease is not a due to a decreasing demand but merely to a limited supply of prime office properties located in Copenhagen. Another consequence of the limited supply is that the office segment was dominated by Danish investors who accounted for 76% of the transaction volume in the office segment in Q2 2021.

OUTLOOK

We are continuing to experience a strong demand for office leases in central Copenhagen. However, as vacancy rates are expected to increase in the coming months, there will be increased competition for the tenants, why we expect unchanged rent levels in the short run. However, over the next 5-10 years, we expect significant increases in the office rent levels due to limited opportunities for new construction. Due to the increasing vacancy rate in CBD and the expected adoption of mark-to-market taxation, the prime yield is expected to remain unchanged at around 3.25-3.50% in the rest of 2021. However, in the long run we expect that a strong occupier demand, limited opportunities for new construction, the fact that large sums of capital are currently accumulated, and a strong investor demand will result in decreases to the yield level.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

| SUBMARKET | BUILT STOCK (SQ.M) | AVAILABILITY (SQ.M) | OVERALL VACANCY RATE (%) | TAKE-UP (SQ.M) | YTD TAKE-UP (SQ.M) | UNDER CONSTRUCTION (SQ.M) | PRIME RENT (LOCAL CONVENTION) | PRIME YIELD* |
|---|--------------------|---------------------|--------------------------|----------------|--------------------|---------------------------|-------------------------------|--------------|
| Copenhagen (Greater Copenhagen incl. Centre) | | | | | | | | |
| - Copenhagen City Centre | 4,793,800 | 466,600 | 9.70% | 19,898 | 32,732 | - | 1,900 DKK | 3.40% |
| - Copenhagen | 3,873,100 | 322,700 | 8.30% | 91,132 | 167,580 | - | 1,700 DKK | 4.50% |
| - Northern Copenhagen | 1,085,700 | 75,900 | 7.00% | - | - | - | 1,300 DKK | 4.50% |
| - Eastern Copenhagen | 523,500 | 25,600 | 4.90% | - | - | - | 1,000 DKK | 6.50% |
| Copenhagen TOTALS | 10,276,100 | 890,800 | 9.11% | 111,030 | 200,312 | 563,519 | 1,900 DKK | 3.40% |

*Rental rates reflect a net level

KEY LEASE TRANSACTIONS Q2 2021

| PROPERTY | SUBMARKET | TENANT | SIZE (SQ.M) | TYPE |
|----------------------|---------------|-------------------------------|-------------|-----------|
| Gl. Køge Landevej 59 | Valby | Genmab | 15,890 | New lease |
| Teknikerbyen 26-40 | Virum | Hottinger Brüel & Kjær | 11,500 | New lease |
| Borups Allé 43 | Copenhagen N | Københavns Ejendomme & Indkøb | 7,449 | New lease |
| Industriparken 39-43 | Ballerup | Thales Denmark A/S | 5,400 | New lease |
| Confidential | Copenhagen SV | Confidential | 4,670 | New lease |

KEY SALES TRANSACTIONS Q2 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SQ.M | PRICE / DKK P SQ.M |
|---------------------------|--------------------|---|--------|---------------------|
| Danske Bank HQ | Copenhagen K | Aberdeen / Ärztteversorgung Westfalen-Lippe | 49,000 | Est. 2,100M / 42.5K |
| CPH Highline | Copenhagen SV | Skanska / Aviva | 16,952 | 918M / 54.1K |
| Neroport | Copenhagen S | Genesta / Castellum | 31,763 | 778M / 24.5K |
| Project Epsilon Portfolio | Greater Copenhagen | Niam / NREP | 32,627 | 648M / 19.8K |
| Accura HQ | North Harbour | Project North Holding Partnerselskab / Velliv & Industriens Pension | 13,180 | 610M / 46.3K |

KEY CONSTRUCTION COMPLETIONS YTD 2021

| PROPERTY | SUBMARKET | MAJOR TENANT | SQ.M | OWNER / DEVELOPER |
|-------------------|---------------|--------------------------------|--------|---|
| CPH Highline | Copenhagen SV | Global Connect / SAS Institute | 21,500 | Aviva / Skanska Øresund |
| Østerport II | Copenhagen E | DLA Piper | 17,000 | Commerical Real Estate Denmark / Fokus Asset Management |
| Woods Augusthus | Copenhagen S | ZeroNorth | 24,000 | NREP / NREP |
| E.C. Hansens Hus | Copenhagen V | Visma | 16,500 | KLP Ejendomme / Arpe & Kjeldsholm |
| Scanport Glasværk | Kastrup | Unknown | 4,600 | Skanska / Skanska |

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